

The American Rescue Plan Act

National League of Cities

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CITIES STRONG TOGETHER

During an unprecedented time, NLC delivered unprecedented results for our members.

\$65 billion of DIRECT aid to EVERY city, town or village across the country.

NLC DELIVERS

This week, the U.S. Department of Treasury released:

- Guidance/Interim Final Rule
- Frequently Asked Questions (FAQ)
- Allocation for Metropolitan cities
- Opened portal for Metropolitan cities to apply for funding

Many of the points that NLC advocated for were adopted in the Interim Final Rule.

Framework of Interim Rule

- Non-exclusive lists of allowable expenditures
 - Categories include intervention for Qualified Census Tracts, public health, direct aid, community & economic development, infrastructure
- Encouraged expenditures
 - Categories include addressing racial disparities, inequities, disproportionate harm
- Prohibited expenditures
 - Categories include pension funds, legal settlements, federal match requirements

Framework to Assess Eligibility for Projects and Services

1. Identify the harmful effect of COVID-19 the activity will address.
2. Assess the causal or compounding connection.
3. Assess for disproportionate impact on distressed sectors or populations.
4. Determine how to prove the expense produces the expected outcome.

- **Metropolitan cities include all cities with populations over 50,000**, including cities that relinquish or defer their status as entitlement cities for CDBG. Cities under 50,000 that qualify and accept annual CDBG grants also appear on the Metro list.
- **Non-entitlement Units of Local Governments (NEUs) are the remaining municipalities.**
 - The funds will go out in two tranches. 50% provided beginning in May 2021 and the balance delivered approximately 12 months later.
 - Metropolitan cities can already begin applying for the funds through Treasury's online portal. Metropolitan cities will receive their second round of funds 12 months after they receive their first funds.
 - NEUs will receive their money from their respective states within 30 days of the states receiving the money. NEUs will receive their second payment 12 months after receiving their first payment.

Jurisdictions must submit a request to receive funding even if they have previously applied for other programs through the Treasury Submission Portal. Eligible jurisdictions will receive further communications regarding the status of their submission via the email address provided in the Treasury Submission Portal.

- Jurisdiction name, taxpayer ID number, DUNS Number, a sam.gov account, and address
- Authorized representative name, title, and email
- Contact person name, title, phone, and email
- Funds transfer information, including recipient's financial institution, address, phone, and routing number and account number

- The Treasury Department is expected to release guidance for Non-entitlement Units of Local Government (NEU) “in the coming days.”
 - NEU allocations
 - NEU receiving funds
- NEUs will receive their grants through their State governments.
 - States cannot further restrict the use of funds beyond the Treasury’s guidance
- NEUs will need DUNS number, banking information, and representative information.

1. To respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
 - *No more restrictive than the CARES Act Coronavirus Relief Fund*
2. To respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible workers of the metropolitan city, nonentitlement unit of local government, or county that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;
 - *Allows a municipality to provide up to \$13 per hour above regular wages.*
3. For the provision of government services to the extent of the reduction in revenue of such metropolitan city, nonentitlement unit of local government, or county due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year of the metropolitan city, nonentitlement unit of local government, or county prior to the emergency; or
 - *Allows revenue replacement. The base year to measure lost revenue against is not the most recent full fiscal year, but the most recent full fiscal year **prior to the emergency.***
4. To make necessary investments in water, sewer, or broadband infrastructure.
 - *Treasury will provide additional guidance*

Eligible Uses: COVID-19 Pandemic Response

To respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality.

- COVID-19 Mitigation and Prevention
- Medical Expenses
- Behavioral Health Care Including Addiction Treatment
- Public Health and Public Safety Employees
- Data, Design, and Execution of Health Programs
- Health Disparities
- Survivors Benefits

Presumption of Eligibility inside Qualified Census Tracts (QCT)

- Direct cash and loan interventions
- Assistance to business and non-profits
- Impacted industries and workers
- Housing and Community Development
- Homelessness
- Childcare and Education

Fiscal Recovery Funds payments may be used by recipients to provide **premium pay to eligible workers performing essential work** during the COVID-19 public health emergency or to **provide grants to third-party employers with eligible workers** performing essential work.

- The Interim Final Rule defines "essential work" as work involving regular in-person interactions or regular physical handling of items that were also handled by others.
- Such workers include:
 - Staff at nursing homes, hospitals, and home care settings;
 - Workers at farms, food production facilities, grocery stores, and restaurants;
 - Janitors and sanitation workers;
 - Truck drivers, transit staff, and warehouse workers;
 - Public health and safety staff;
 - Childcare workers, educators, and other school staff; and
 - Social service and human services staff.

Coronavirus State and Local Fiscal Recovery Funds – “necessary investments in water, sewer, or broadband infrastructure.”

- Projects eligible under the Clean Water State Revolving Fund
 - Construct, improve, and repair wastewater treatment plants; control non-point sources of pollution; create green infrastructure; manage and treat stormwater; water reuse; protect waterbodies from pollution.
- Projects eligible under the Drinking Water State Revolving Fund
 - Build or upgrade facilities to improve water quality; transmission, distribution, and storage systems; consolidation or establishment of drinking water systems
- Cybersecurity
- Climate Change and Resilience
- Lead Service Line Replacement

- Eligible projects **must**:
 - "be designed to provide service...to unserved and underserved households and businesses."
 - Unserved and underserved = lacking access at least 25/3 Mbps wireline service
 - Specific service areas and locations may be defined by community
 - Provide service that "reliably meets or exceeds symmetrical speeds of 100 Mbps" or, if impossible, at least 100/20 Mbps with the ability to scale to 100 Mbps symmetrical
- Eligible projects are **encouraged** to:
 - consider affordability
 - avoid investing in locations with "existing agreements to build reliable wireline service with minimum speeds of 100/20 Mbps by December 21, 2024"
 - "deliver a physical broadband connection by prioritizing projects that achieve last-mile connections"
 - prioritize municipal, nonprofit, and cooperative-owned networks
- Digital inclusion: assistance to households, including internet access and digital literacy assistance, are eligible uses

For the provision of government services to the extent of the reduction in revenue of such metropolitan city, nonentitlement unit of local government, or county due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year of the metropolitan city, nonentitlement unit of local government, or county prior to the emergency

1. General Revenue draws on the Census definition of General Revenue of Own Sources.
2. **Recipients should sum across all revenue streams covered as general revenue**
3. What is excluded from General Revenue:
 - refunds and other correcting transactions
 - proceeds from issuance of debt or the sale of investments
 - agency or private trust transactions
 - utilities and insurance trusts

Calculating the Loss

Cities, towns, and villages will calculate the loss based on what could have been expected to occur in absence of the pandemic.

Key Points

1. To determine the what would have happened in absence of the pandemic, cities, towns, and villages, will use a predetermined growth rate of 4.1% or the average annual growth rate over the three full fiscal years prior to the pandemic
2. Recipients should calculate the extent of the reduction in revenue as of four points in time: December 31, 2020; December 31, 2021; December 31, 2022; and December 31, 2023.

Steps to Calculating Lost Revenue

1. Identify the revenue collected in the most recent full fiscal year prior to the pandemic (i.e. Jan. 27, 2020). **This is the base year.**
2. Estimate the growth rate your city, town, or village would have experienced using either 4.1% or the average annual revenue growth in the three full fiscal years prior to the public health emergency, whichever is higher.
3. Identify **actual revenue collected** over the past 12 months.
4. lost revenue is equal to the expected growth rate less actuals. If actuals exceed expected, then set the figure to zero.

Example of Eligible Uses: Lost Revenue

1. Town X has \$100 in revenue in the base year, the last full year before Jan. 27, 2020
2. Town X finds that 4.1 percent is greater than Town X's average annual revenue growth in the three full fiscal years prior to the public health emergency
3. The base year ends June 30, 2019
4. Town X has 18 months from the end of its base year (June 2019) to December 31, 2020, and its projected revenue would have been \$106.2.
 $100 + [(1 + .041)^{(18/12)}]$
5. Town X had \$80 of actual revenue in 2020
6. The revenue loss for 2020 is $\$106.2 - \$80 = \$26.2$
7. **If actuals collected exceeds calculated projected, then no revenue loss for that year**

- Federal Matching Requirements
- Premium Pay
- Pensions
- Infrastructure Not Directly Addressed in ARPA
- Rainy Day Funds, Financial Reserves,
and Outstanding Debt

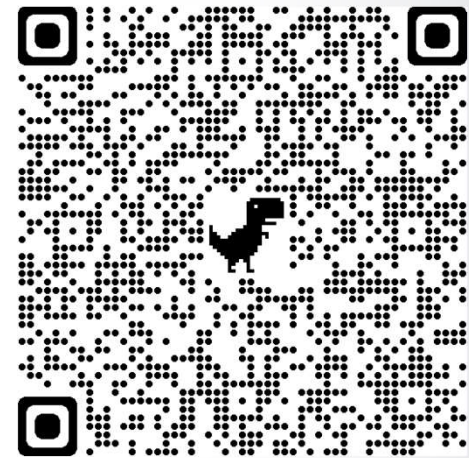
1. Metropolitan cities must submit an interim report and quarterly Project and Expenditure reports thereafter.
2. Metropolitan cities with a population in excess of 250,000 will also be required to submit an annual Recovery Performance Plan to Treasury.
3. Non-entitlement units of local government (NEU) are NOT required to submit interim reports or Recovery Performance Reports. However, NEUs will be required to submit annual Project and Expenditure reports.

Coronavirus State and Local Recovery Fund

The U.S. Department of the Treasury has a landing page for the Coronavirus State and Local Recovery Fund.

The Treasury expects to provide technical assistance to mitigate administration burden

For general questions about the Coronavirus State and Local Recovery Fund, email SLFRP@treasury.gov



NLC's COVID-19 Hub: <https://www.nlc.org/covid-19-pandemic-response/>

- Additional Resources on Guidance Coming Soon!
 - Receiving Funds
 - Eligible Uses
 - Allocations
 - Reporting Requirements
- FAQs
- Blogs
- ARPA Provisions Tracker



Tell NLC what kind of additional programming and resources will be useful for your municipal operations:

<https://bit.ly/3eVyvWt>





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